

MEANS TESTING THE AGE DEDUCTION

**Requested by the staff of the
Commission on the Revision of
Virginia's State Tax Code and the
Streamlined Sales Tax Project**

Department of Taxation

Agreement SJR 347 (2003)

August 4, 2003

MEANS TESTING THE AGE DEDUCTION

Scenario #1

- The following estimate shows a potential impact of means testing the age deduction.
- The deduction would be based on the level of federal adjusted gross income for each taxpayer. For married taxpayers filing either joint or separate returns, the base for the deduction would be their combined federal adjusted gross income (FAGI). Each spouse who qualifies, by age, for a deduction would receive the deduction amount based on the combined FAGI.
- The following table shows the amount of the deduction as it corresponds with the relative federal adjusted gross income level:

FAGI	Age 62 – 64	Age 65 and Above
\$0 - \$34,999	\$6,000	\$12,000
\$35,000 - \$74,999	\$4,000	\$8,000
\$75,000 - \$134,999	\$2,000	\$4,000
\$135,000 and above	\$0	\$0

- Assuming an effective date of taxable years beginning on and after January 1, 2004, the following table shows the estimated revenue impact of this proposal:

FY 2004	FY 2005	FY 2006
\$56.1 Million	\$114.3 Million	\$118.5 Million

MEANS TESTING THE AGE DEDUCTION

Scenario #2

- The following estimate shows a potential impact of means testing the age deduction.
- The deduction would be based on the level of federal adjusted gross income for each taxpayer. For married taxpayers filing either joint or separate returns, the base for the deduction would be their combined federal adjusted gross income (FAGI). Each spouse who qualifies, by age, for a deduction would receive the deduction amount based on the combined FAGI.
- The following table shows the amount of the deduction as it corresponds with the relative federal adjusted gross income level:

FAGI	Age 62 – 64	Age 65 and Above
\$0 - \$34,999	\$6,000	\$12,000
\$35,000 - \$49,999	\$4,500	\$9,000
\$50,000 - \$74,999	\$3,000	\$6,000
\$75,000 - \$99,999	\$1,500	\$3,000
\$100,000 and above	\$0	\$0

- Assuming an effective date of taxable years beginning on and after January 1, 2004, the following table shows the estimated revenue impact of this proposal:

FY 2004	FY 2005	FY 2006
\$65.9 Million	\$134.3 Million	\$139.2 Million